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23 September 1961

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CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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*USSR-Berlin: The position Khrushchev outlined in his statements on Germany and Berlin to Belgian Foreign Minister Spaak was more flexible than any he has adopted since he intensified the Berlin crisis after the Vienna meeting with President Kennedy. According to Spaak's report to the NATO council, the Soviet premier contended that he understood Western views on Germany and Berlin and had no desire to impose the Soviet position that a treaty should be signed with both German states. Khrushchev said he was prepared for what he called a "compromise"--the signing of two treaties which would contain some common clauses, including recognition of present German frontiers, an accord on Berlin, and some provision for subsequent study by the two Germanys of formulas for unification.

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Khrushchev ruled out any discussion of the status of East Berlin. He also maintained that the West must reach an agreement with East Germany over access arrangements, but said at the same time that "Berlin was not too important." He said that the USSR would guarantee East German execution of any agreement on Berlin, and added that the four powers could work out a Berlin agreement prior to negotiations on the peace treaty. He made it clear that such a four-power agreement would then be incorporated in both peace treaties, or in a separate East German peace treaty concluded by the bloc alone. He claimed that in this way Moscow would guarantee

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the Berlin accord without requiring Western recognition of the East German regime.

As to timing, Khrushchev indicated no sense of urgency and mentioned no final date, provided there were no "long, drawn out" discussions on Berlin.

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Khrushchev's presentation, and his focus on the possibility of "compromise," seem tailored to appeal to those within the Western alliance who, like Spaak, favor formal negotiations as early as possible. In keeping with this general line, Khrushchev's 16 September letter to Nehru, released yesterday, maintained that the USSR was prepared for negotiations "any time, any place, and at any level," and attempted to create the impression that the West opposed "serious negotiations."

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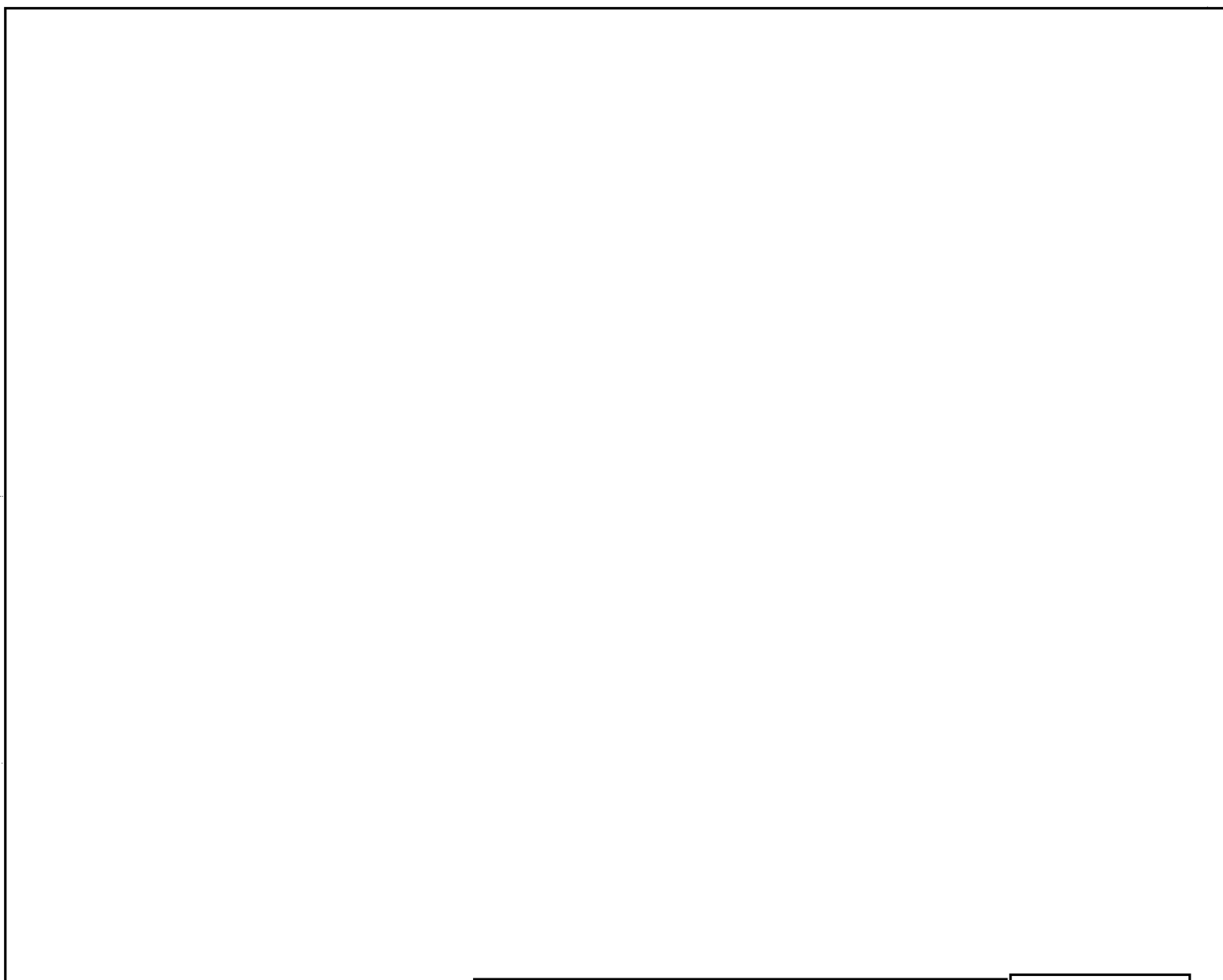
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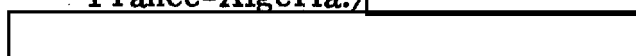


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France-Algeria:

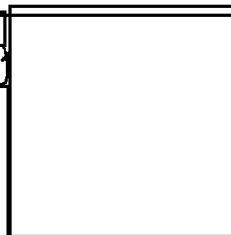


the French situation has

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deteriorated to the point where "it is difficult to see how De Gaulle can get things back in hand.")

Senior military officers in France have reportedly told [] there is open liaison between the Secret Army Organization (OAS), led by ex-General Salan in Algeria, and officers on active duty. One general told [] it would take Salan three to four months to bring a majority of officers into active participation with the OAS. Other recent reports, some purportedly from [] however, indicate that the OAS organizational effort in metropolitan France is proceeding slowly and cast doubt on the OAS' ability to seize power even if De Gaulle were to die or otherwise be removed.

The OAS in Algeria called on 21 September for a series of limited demonstrations by European settlers, intended to culminate in a half-day general strike on 2 October. []

[] (Backup, Page 3)

South Vietnam: Another reported Viet Cong attack on 20 September resulting in the capture of a Civil Guard outpost about 200 miles north of Saigon attests to the strength of the Communist guerrillas in widely scattered areas of South Vietnam. This action is the third major Viet Cong operation to the north of Saigon this month. The attacks may be intended in part to keep government forces off balance and to divert attention from the southern provinces where South Vietnamese army sweeps in recent months have caused heavy Viet Cong losses.

The intensity of Viet Cong activity in the northern highlands area also lends credence to South Vietnamese claims of stepped-up Communist infiltration from North Vietnam via Laos. A recently captured Viet Cong agent told government interrogators he was part of a 250-man force infiltrated in June after transiting Laos and Cambodia. []

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USSR-Japan: After two years of intermittent negotiations between Moscow and Tokyo, final talks are to begin soon for the sale by Japan of 32-inch steel pipe for the 2,700-mile crude oil pipeline from Irkutsk to the port of Nakhodka in the Soviet Far East. The construction of this pipeline will have strategic and military significance. Including the associated pipeline equipment, the deal reportedly involves some \$250,000,000 and will be financed by five-year Japanese credits. According to the Japanese commercial counselor in Moscow, the Japanese estimate that imports of Soviet crude oil over a three-year period will be sufficient to repay the credits. This would require a sharp rise in Soviet oil exports to Japan. This year Japan is to receive about 1,700,000 tons of Soviet petroleum--about 5 percent of its total oil imports--but Moscow has been urging the Japanese to take up to 10,000,000 tons a year. []

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UAR: The Nasir regime has taken stringent security measures throughout Syria, apparently to deal with the crisis sparked by Vice President Sarraj's attempted resignation. Armored cars have been patrolling the streets of Syria's major cities during the past week, and all security forces appear to have been alerted. Although the regime apparently has the situation under control, some antiregime move by Sarraj supporters or other Syrian dissidents could still occur. Nasir met with Sarraj in Cairo on 21 September, but as yet there is no indication of a settlement of their differences. []

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European Common Market: The ministerial council of the Common Market (EEC), is scheduled to meet in Brussels on 25-26 September in an effort to clear the way for early opening of negotiations on Britain's application for membership in the EEC. Although more than a month has elapsed since London's application was submitted, the six present members are still divided on procedures for negotiating with the British.

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EEC President Hallstein believes that all the Common Market countries welcome "with varying degrees of enthusiasm"

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[the prospect of Britain's membership. He remains skeptical, however, that London has yet accepted the EEC's goal of European political union.]

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Dominican Republic: General Ramfis Trujillo, in a 19 September conversation with the American consul general, affirmed that he views his tenure in the country's highest military post as a temporary role which may not last longer than "a few more months." He said he is preparing a group of younger officers for command positions and that this involves retiring older officers he described as having "a mentality of the past." Ramfis implied that he is grooming Major General Fernando A. Sanchez for the top military job.

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The 33-year-old Sanchez, presently chief of staff of the air force, has been a close companion of Ramfis since childhood. Ramfis admitted that some officers resent Sanchez' rapid promotions but said there is great respect for him among younger officers. When asked what would happen in the military if he were to resign now, Ramfis replied that he could only speculate, but that there probably would be a "scramble for power" among various elements of the military.

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Khrushchev's Conversation With Foreign Minister Spaak

Khrushchev's main aim in his talk with Spaak was to convince the Belgian leader that formal negotiations by the four powers could lead to a compromise solution which would protect the Western position in Berlin but allow the Soviet Union a free hand to proceed with a peace treaty with East Germany. Although the idea of two peace treaties--to be concluded by the Western powers with Bonn and by the bloc with East Germany--was included in the aide-memoire given to President Kennedy in Vienna, and repeated in the Soviet note of 3 August, Khrushchev's explanation of the link between a separate settlement on Berlin and the conclusion of a peace treaty is a new aspect.

Khrushchev's offer of a separate four-power agreement on Berlin and a Soviet guarantee of East German performance in executing access controls is clearly designed to overcome Western objections to a unilateral turnover of controls by maintaining a semblance of the status quo. This alternative, however, would be consistent with Khrushchev's demand that the status of Berlin be "normalized" and with his refusal to reconfirm the validity of Western occupation rights. He probably feels that incorporation in an East German treaty of a four-power agreement and a guarantee on access would reduce the risks of concluding a separate peace treaty with East Germany and would constitute at least tacit Western consent to a separate treaty. This approach would also allow the bloc unilaterally to declare West Berlin a free city, but permit the West to interpret the agreement as an endorsement of the existing status; Khrushchev seemed to imply that this would be the case.

Khrushchev's interest in convincing Spaak that a negotiated settlement is possible was also evident in his statement that the USSR would be willing to negotiate on a zone of limited or controlled armaments in Europe. This line is calculated to appeal to Spaak and other European leaders who have long held

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that a security arrangement in Central Europe should be taken up in connection with the German question.)

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The more conciliatory line taken by Khrushchev, together with the increasing emphasis on negotiations at the summit reflected in the letters to the participants in the Belgrade conference, suggests a concerted Soviet effort to stimulate pressure among neutrals and within NATO for an early formal four-power conference. Khrushchev apparently sought to meet Western opposition to negotiating under a threat or ultimatum by playing down any specific deadline and stressing only that the talks should not be protracted.)

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Pessimism on French and Algerian Situations

[redacted] said "today's kind of situation" can continue only for six months to a year. In his comment that it was difficult to foresee how De Gaulle can contain the situation that will result if he fails to mollify the army and farmers, [redacted] either was unaware of or ignored the 20 September announcements that De Gaulle intends to relinquish his special powers at the end of the month and that the government will meet some of the farmers' demands.

[redacted] said that in the eyes of "managing groups"--mentioning the army, intellectuals, leading politicians, and businessmen--De Gaulle has little time left to solve the Algerian problem. Even though the general public will "excuse him for a while" because of its apathy and his popularity, the public will eventually be moved by farm unrest and OAS terrorism in France to "demand the end of do-nothing on Algeria."

[redacted] De Gaulle's policies have greatly increased the appeal of the OAS. Many of the military once considered Salan a renegade, [redacted] said, but De Gaulle's indifference toward the army has alienated officers and left them with Salan and the OAS as the only rallying point for opposition. [redacted] told him that Salan and the other ex-officer fugitives of the April insurrection are fed and supplied by army depots in outlying districts of Algeria.

[redacted] dispute the government's public charge that the OAS was involved in the 8 September attempt to assassinate De Gaulle, and suggest that while the OAS is doing well organizationally in Algeria, its build-up in metropolitan France is slow. The organization's political committee in France reportedly was unaware that there was to be an attempt on De Gaulle's life, and was neither prepared nor able to seize power if the attempt had succeeded. [redacted]

[redacted] reportedly stated that by January or February 1962 the OAS might be in a position to try to take advantage of De Gaulle's disappearance, but he rated the chances as low. [redacted]

Soviet Purchase of Japanese Steel Pipe

The purchase from Japan should give a considerable boost to the Soviet pipeline-construction program. The plan calls for a 40-percent increase in 1961, but the pipeline program has not achieved its goal in any of the last six years. The Irkutsk-Nakhodka crude oil pipeline will be an extension of the one now under construction between the Urals-Volga oil fields, in the western portion of the USSR, and Irkutsk. Completion of this line, planned for 1961, has been delayed, primarily because of cold weather. If construction schedules are maintained, it is unlikely that the Irkutsk-Nakhodka section, to be built with Japanese equipment, will be finished in less than five years, despite the Japanese commercial counselor's statement that 1964 is the anticipated date for completion.

The Irkutsk-Nakhodka pipeline will require approximately 1,000,000 tons of steel pipe, all of which presumably will be provided by Japan. This quantity of pipe amounts to more than 10 percent of total Soviet requirements for large-diameter steel pipe during the Seven-Year Plan. Unknown quantities of associated pipeline equipment are also involved in the negotiations.

The amount of crude oil Japan is to import as a result of this deal is unknown. The line reportedly will have an initial capacity of about 10,000,000 tons a year, much of which will be available for sale to Japan. Soviet crude oil, which Tokyo began importing in 1958, enjoys a slight competitive advantage in Japan over that from other sources. This advantage would be enhanced by the pipeline system. The Japanese, [redacted]

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[redacted] have noted that local oil firms handling Soviet imports are still selling to US military forces and consequently have concluded that there no longer is any risk involved in handling Soviet oil.

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Tokyo's other new source of oil, the Japanese-owned Arabian Oil Company (AOC) operating in the Persian Gulf, began shipments to Japan early this year and already is filling

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slightly more than 4 percent of Japan's needs. By 1963, AOC may be providing 25 percent of Japan's oil requirements.

Although Japan's expanding needs for petroleum--the increase for 1961 is estimated at 21 percent--assure continued large sales by US and British firms, Soviet and AOC oil almost certainly will take a larger share of the total market.

The USSR has been suggesting that Siberian development offers a rich market for Japan, and the pipeline-for-oil transaction is likely to intensify Japanese interest in trade with the USSR. Soviet-Japanese trade has risen from \$21,600,000 in 1957 to \$149,600,000 in 1960, although it still constitutes only 1.7 percent of Japan's total trade. [REDACTED]

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[REDACTED]

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UK - Common Market Negotiations

The EEC treaty provides merely that the terms of accession shall be the subject of negotiation between the applicant and the member states, and no provision is made either for a single Community spokesman or for participation by its permanent executive--the EEC Commission, of which Hallstein is president. The EEC countries thus face a major tactical problem in deciding how to concert their positions, subsequently speak with one voice to the British, and avoid being played off against each other.

None of the EEC countries is willing, in view of the major national interests involved, to permit the Commission to conduct the negotiations itself, but with the exception of France they are willing to take advantage of its expertise in developing their common positions. They also favor the appointment of an EEC chief delegate who would chair the talks with London. Belgian Foreign Minister Spaak is still the most frequently mentioned candidate for this post; if he is unavailable or is vetoed by France, Italy is expected to nominate EEC President Hallstein, who would have Bonn's support.

The French position remains equivocal.

Paris is seeking a procedure whereby the EEC members would have a single spokesman on points on which they agree, but otherwise would speak for themselves. Accordingly, France has opposed any major role for the Commission, favored a rotating chairmanship, and even opposed Brussels--the seat of the Common Market--as the negotiating site.

This procedural position is in keeping with the enigmatic attitude of Paris toward Britain's prospective membership, despite De Gaulle's public statements welcoming Britain to the EEC. In recent weeks, British officials have seemed increasingly optimistic that France would raise no "unnecessary

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obstacles" to Britain's entry, but the procedures Paris has proposed apparently reflect France's fears that its EEC partners may be willing to make that entry "too easy." [REDACTED]

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[REDACTED] French officials have recently alluded to the abortive negotiations in 1958 on a European Free Trade Area (FTA) and charged that the procedures then prevailing subjected France to undue pressures and placed the onus on Paris when the talks collapsed.

[REDACTED] Hallstein has recently met with high French officials and, despite their opposition to his participation in the forthcoming talks, evidently shares their concern that Britain's accession could involve major risks for the EEC. In noting recently that a "constructive" outcome depended on Britain's acceptance of the goal of European political union--which he doubted London had--Hallstein also alluded to the FTA experience, stressed the importance of a strong community as a means of tying Germany to the West, and warned against the replacement of the EEC with a loose preferential trading system from which "outsiders would suffer." [REDACTED]

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[REDACTED]

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Trujillo Discusses Future Dominican Military Command

General Ramfis Trujillo told the consul general that only duty to the country and obligation to his friends in the military and his family have kept him in office this long. He finds his position difficult because, while he believes support for President Balaguer is "the only way out," elements in the military and in his family have not liked "the way things are going." He described the military as still restless and, as an illustration, said that after the violence of 12 September he had had to restrain certain officers who had wanted to "take firm action"--presumably seizure of the government. Ramfis said he thought the program he plans to implement prior to his departure would take a few months, after which he could resign and return to his "neglected private affairs.")

Although General Fernando Sanchez is generally credited with higher than average intelligence, he would not be a popular choice to succeed Ramfis in the country's top military post--except among the young air force officers with whom he is identified. Opposition leaders have reported that Sanchez participated in executions of dissidents prior to the dictator's death, and he is widely regarded as a Ramfis protégé whose assumption of the top military job would signify no change. Opposition leaders have mentioned several high-ranking officers who would be acceptable to them, but most of these have been removed from active duty by Ramfis and are probably in the category of the "older officers" whom Ramfis evidently intends to purge before installing Sanchez.)

Resentment in the army and navy over the privileged position of the air force is another factor working against Sanchez. Ramfis' long-time favoritism toward the air force is reflected in the fact that the air force has the country's only effective mobile combat team--a sizable ground unit stationed at San Isidro Air

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Base some eight miles northeast of the capital, where Ramfis and Sanchez have spent most of their time since last June.

Sanchez is probably not basically anti-US, and the hostility he displayed to the US prior to the dictator's death was probably a reflection of Ramfis' own attitude at that time. Sanchez attended the US Command and General Staff School in 1957-58.

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